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NATIONAL POLICY AND ISSUES

PRC ECONOMIC JOURNAL ON ECONOMIC READJUSTMENT

HK011812 Beijing JINGJI GUANLI in Chinese No 4, 15 Apr 81 pp 3-4

[Commentator's article: "Readjustment is Not Retreat But Advance"]

[Text] Not long ago, comrades in the central leadership clearly pointed out in an important speech: "Our readjustment today is not retreat, but advance." This is the most significant guiding ideology for our present further readjustment of the economy.

Further readjustment of the economy demands the downgrading of certain sectors to an adequate extent with determination. It is to be implemented thoroughly and resolutely without any vacillation and hesitation. However, in view of this, can the policy of economic readjustment be taken to be a retrogressive, negative policy? No. Intentionally, or unintentionally, for the present readjustment work to be guided by such ideology would be extremely harmful.

Readjustment by its textual meaning, should consist of advance and retreat, upward and downward movement and certainly not just retreat and downward movement. Advance and retreat, up and down are two sides of the contradiction. Which are the principal aspects? They should be advance and up. Retreat is for the purpose of advance, and moving down is also for the purpose of moving up. Whether in the long term or the short term, the purpose of further economic readjustment is to maintain the momentum of the favorable situation that has prevailed since the 3d plenary session of the 11th Central Committee. We therefore say that the present readjustment is a sober, healthy and positive policy.

In the long term, our determination to implement the policy of economic readjustment is aimed at weeding out the disastrous effects of serious dislocation perpetrated by the "leftist" mistakes over the years, and change the irrational economic structure so that our overall development planning may be on a substantial and dependable footing, and the socialist construction of our country may progress stably. Some sectors must retreat and close down in favor of readjustment, and for that matter, the scale of capital construction will have to be cut back, the pace of economic development will also have to be slowed down. However all this slowing down and cutting down is geared to a more stable and reliable progression towards the target of the four modernizations. Let us say that today's retreat is a bid to create conditions for better and bigger progress tomorrow.

Does this imply that the order of the day is to retreat, and only tomorrow is it important to advance? Neither is correct. Neither is it true that at present retreat is dominant. The substance of readjustment is retreat and advance with advance amid retreat and retreat amid advance. Nevertheless, all retreat is geared to advance. Not only in order to advance tomorrow, but also to advance today. We must focus on the word "advance."

The retreat in some sectors at present refers mainly to capital construction. Determination to slash the scale of capital construction is a necessity for the rational readjustment of the economic structure, and also a positive measure to overcome the difficulties due to the scale of construction work exceeding the limits of our national capabilities. Due also to the ineffective implementation of the readjustment policy over the last 2 years, we had a huge financial deficit and excessive issue of currency which led to the rise of commodity prices. This is a latent crisis facing the development of our national economy. The primary task of readjustment therefore, is the curtailment of capital construction and the reduction of administrative expenditure, in order to solve the financial, credit, commodity and balance of foreign exchange problems. These measures are absolutely necessary. However, cutting expenditure is only one aspect of solving the financial difficulties, more important is to broaden the source of income. Thus, while cutting capital construction and expenditure, efforts should be made to pursue economic results and increase production and income. In such retreat and advance, one cannot only eye the word "retreat," the emphasis must be on the word "advance" which is to bring in more wealth and revenue.

Looking at the whole of capital construction, the major emphasis is on retreat, and sufficient retreat. However, to retreat is also to advance: Some sectors are to be conserved, and others are to be suitably geared up. For many years in capital construction, the layout was too ambitious, the investment orientation was questionable on one hand, and on the other hand, the construction period was too long, and the return on investment was too low. Therefore, in the context of cutting down capital construction, consideration must be given to the development of those sectors which require low investment and have quick results, such sectors should also meet the urgent needs of the national economy. With proper and selective planning, existing enterprises must be used and improved, so as to make limited investment quickly yield greater investment results. For those sectors that are to be conserved and promoted, austerity should be exercised in terms of investment, and the profit margin should be raised. Thus, in capital construction, "retreat" is not only being pursued negatively.

The basic task of readjustment lies in the readjustment of our production structure, product structure and organizational structure, and their rationalization. Speedy development of the production of agricultural subsidiary products and consumer products is not only necessary for the readjustment of the economic structure, but also an urgent task for meeting the needs of the livelihood of the people, to which end currency returned to the treasury will stabilize commodity prices and increase revenue. To have a full grasp of production, one must first get hold of this link.

To temporarily deal with long-line [products that are far removed from the needs of consumers] production, it must be cut back by seeking truth from facts and

according to plan. However, there is advance amid retreat. The volume of production must be cut down, but the quality of the product should be improved by all means. Meanwhile, based on necessity, an all-out effort must be made to improve product variety and standards, and increase production or divert production to popular, salable items. There is retreat as well as advance, however, the main theme is still "advance."

Some enterprises will close, suspend, merge or shift. But in closing and suspending or merging and shifting, the important aspect is the merging and shifting. It is necessary to keep an eye on merging and shifting: In accordance with the needs of the market, try to keep down cases of closing and suspending, resort more to merging and shifting of production. Even with cases of inevitable closure and suspension, is there no other positive way out? Sure there is. First, workers being temporarily laid off should be organized for political, cultural and technological studies, so as to raise their ideological and professional standards and prepare them for better production and development in the future. Equipment and assets of an enterprise should be properly maintained, ways and means of transformation and utilization of them should be actively studied in order to minimize losses.

From this it can be seen that economic readjustment from the macroscopic and microscopic viewpoint, contains the aspects of advance and retreat, up and down; there is advance as well as retreat, and there is also retreat amid advance and advance amid retreat. Between advance and retreat, retreat is the means, advance is the end. We should focus our attention on advance. Only in this way can readjustment, be thoroughly and correctly implemented as a positive policy.

Readjustment of the economic structure and reform of the economic system is the primary method of economic development for our country; they are complementary and inseparable. Some people think that since "readjustment is the focal point" at the moment, reform is no longer necessary. Some even go so far as to think that the present economic difficulties were caused by the reform of the last 2 years; this is absolutely without foundation.

The reform of the system over the past 2 years, beginning from the expansion of enterprise autonomy and the launching of regulation by market mechanism, though in its initial stages, has aroused the enthusiasm of the enterprises, and instilled a sense of responsibility commensurate with their position as masters among the broad masses of cadres, workers and technicians, with the result that production has increased, the incomes of the state, the enterprises and the workers have all increased and the benefits to the state are the largest; all these are substantiated facts.

The reform of the system over the past 2 years is not only correctly orientated, its results are obvious as well. Of course, being experimental, the reform will inevitably be saddled with some problems; that is nothing extraordinary, and can be solved by taking certain measures. However, looking at the overall situation, readjustment should be the pivot of the moment, reform should be subordinate to readjustment, and facilitate readjustment. That is to say, during the period of readjustment, ill-equipped reforms should be suitably slowed down. However, that does not imply that all reform should be slowed down, even less does it imply

that all reform should be stopped. Quite to the contrary, reform closely connected with readjustment should follow and keep pace with readjustment.

For a long time, we have taken capital construction as the major channel for economic development and the expansion of reproduction, and neglected reliance on and the exertion of the great potential for production in the existing enterprises. After 30 years of construction, the country as a whole is in possession of a considerable amount of fixed assets and liquid capital. According to estimates, if utilization of capital in the existing enterprises throughout the country can be raised to a level as high as that of Shanghai, it would be able to yield product value worth billions of yuan, which indicates the enormous potential of our existing enterprises. In order to tap this potential, the irrational economic structure must be readjusted and the economic system should undergo reform at the same time. The enthusiasm of numerous enterprises and the broad masses of workers can thus be stimulated. It is necessary for us, while proceeding with economic readjustment, to further consolidate the successes already in hand, and perfect the trial-point work in the reform already under way.

Economic readjustment demands not only readjustment of the production structure and product structure, but also readjustment of the organizational structure. How to break down the barriers of departments and regions, organize the enterprises on the basis of coordinated specialization and implement multiple forms of integration? It is both a task of readjustment, and also the important substance of reform. Such reform should be proceeded with more quickly.

Obviously, the criterion of "reform should be subordinate to readjustment, and beneficial to readjustment" must not be understood in a negative sense. Some reform should be taken as an essential prerequisite for the realization and acceleration of readjustment.

In summing up the experience and lessons of the economic construction of our country in the past 30 years, the party and the government have thoroughly criticized the "leftist" mistakes perpetrated over a long period, and made decisions on further economic readjustment. Proceeding from the actual situation and taking a far-sighted view, this is a major policy decision with far-reaching significance on the construction of our country's socialist modernization. We must correctly recognize that readjustment is a positive policy, and we should encourage the broad masses of staff and workers to put the policy into practice thoroughly and confidently.

CSO: 4006/349

ECONOMIC PLANNING

PRC JOURNAL ON STRENGTHENING AGRICULTURAL PLANNING

HK051607 Beijing JINGJI YANJIU in Chinese No 3, 20 Mar 81 pp 36-40

[Article by Zhang Zhoulai [1728 0719 5490] of agro-economic faculty of Nanjing Agricultural College: "Some Opinions on Strengthening Agricultural Planning Work"]

[Text] To stress planning guidance in agricultural production is an important task for the speedy development of agriculture. "The decision of problems of speedy development of agriculture by the CCP Central Committee" has pointed out: "Administrative organs at every level should and must give the necessary planning guidance on production and development to the collective economic units in the rural areas." Nevertheless, how should the state strengthen the planning guidance in agricultural production? How is planning guidance to be carried out under the unified command of the state, while safeguarding the autonomy in production of rural collective economic units, and inspiring their initiative? This is an important problem in agricultural planning work that must be solved. According to the demands of our socialist planned economy and the characteristics of the agricultural collective economy, I think the basic question is the gradual reform of the management system in agricultural planning. The present method of fixing agricultural planning targets by directives must be changed to the fixing of targets by the quantity of commodities derived from agricultural production instead. With such changes, agricultural production plans can serve as a pilot target, and such directives should reach only down to the county level; the state purchase plan for agricultural products should be carried out in the rural people's communes, and the planned target for the quantity of commodities derived from agricultural products should be decided through consultation with the communes and brigades. Subsequently a contract of purchase and sales should be signed as well as other economic means and guidance should be given to the collective economic units of the people's communes for rational arrangement of their production, so as to keep their production within the orbit of the state plan. Several points of view on the problem are brought out here for general discussion.

I

Indirect planning is consistent with the characteristics of our country's collective economy.

The agricultural economy of our country includes the rural people's commune economy and the state farm economy, and the people's commune economy is much larger in

proportion. The rural people's commune economy is the economy of the collective ownership system of the socialist laboring masses, with the production team as the basic accounting unit. A production team of the people's commune has its own characteristics in comparison to the units under the system of ownership by the whole people. First, a production team is not only an independent accounting unit, but also an operational unit responsible for its own profits and losses. In a production team of a people's commune, the means of production are collectively owned by all the commune members; the operation and management of production are guided by state planning, taking account of the team's objective situation thus motivating commune members to discuss and formulate plans and organize actual production. Products from labor outside the fulfillment of the state tax quota reverts to collective ownership. Products and cash will be appropriately distributed among all members of the team; distribution, retention as well as utilization are to be decided by commune members through discussion; remuneration of commune members' labor must be affected by the success or failure of the team's production in any given year, or the good or bad harvest of an individual year. Income may tend to be high in some years and low in others, unlike the staff and workers under the system of ownership by the whole people who are wage earners, having a fixed level of income guaranteed by the state. At the same time, the means of production required by the production team are also subject to commodity exchange and are acquired from the state or other units, unlike state run enterprises, who are supplied directly by the state. The people's commune is responsible for its own profits and losses in handling production, this very feature clearly manifests the collective ownership nature of its economy, and also determines that its right of ownership and autonomy are solidly protected by the state and that no unit or individual, whatsoever, can exploit or infringe upon its interests. So-called autonomy means to persist in the direction of socialism, to uphold the policy, laws and orders of the state, and in the context of following the guidance of state planning, the basic accounting unit in the people's commune has the right to farm at the convenient time and place, to adopt measures to increase production, to determine the method of management, to distribute its own products and cash, and to resist blind instructions from any leadership organization or individual leader. Under such circumstances, the state should only carry out indirect planning, and must not resort to the method of directly instructing the planning of agricultural production.

Next, agricultural production in our people's communes is now proportionately rather high on self-reliance. This is another important feature in our rural people's commune economy. In the 30 years since liberation, following the completion of the socialist transformation of the system of ownership in our country's agriculture, the agricultural productive forces have gradually developed substantially. Total grain production in our country has increased 1.9 times. However, due to rapid growth of population and the poor technological equipment in agriculture, the majority of our farm work is done manually and the agricultural labor productivity is still very low. Except in the case of some industrial crops and subsidiary farm products, most of the major farm products are barely enough to meet the requirements of the people's communes and commune members' own needs. Exchangeable crops are relatively small in proportion. The ratio of the part of a commodity nature comparatively low, only about 20 percent, and so far we have not got away from the critical situation of finding enough food to feed the 800 million peasants. At the same time, due to low agricultural labor

productivity, and lack of clear division of labor, there arises the need for more varieties of subsidiary farm products to supply the rural people's communes and commune members. The need is both for the processing of subsidiary farm products and expansion of reproduction in the collective economy, and for the necessities of food, clothing, housing and fuel which are to be provided to the commune members. There are great differences in our country's regional natural resources, standard of production, transportation facilities, racial characteristics, habits and customs. All these features emphasize the extent of variety and diversification. Some of these necessities may eventually be replaced by industrial products when industry further develops; nevertheless, as long as quality, quantity and retail price of these industrial products, in comparison to the similar, substituted subsidiary farm products, do not come up to the expectation of the commune members, such needs will have to be solved by agriculture itself. The agricultural production of our rural collective economic units is primarily for their own supply, and with the characteristics of such diversity of consumption in their own supplies, it is not necessary for a socialist country to arrange the production of their own supplies within the collective economic units by planning agricultural production. Neither is it possible to encompass in the agricultural production plan, operations to meet the overall demand for consumption of subsidiary farm products by commune members.

All in all, the practice of indirect planning in agriculture under the system of collective ownership of the people's commune, and the approach of deciding procurement targets for production teams should be determined by the characteristics of our agricultural collective economy, and not by the will of the people.

II

The execution of the farm product procurement plan reflects the interrelationship between agriculture and other sectors of our national economy and is in keeping with the demand for overall balance of the national economy.

Agriculture is an important branch of material production in the national economy and has an inseparable link with industry and other sectors of the national economy. Development of the national economy must be based on agriculture, and management of the national economy should be in the order of agriculture, light industry and heavy industry to achieve comprehensive balance. On the one hand, the development of industry and other sectors of the national economy should correspond with the supply of food grains, economic crops and other subsidiary farm products; on the other hand, the development of industry and other branches of the national economy should also meet the demand for capital goods in agriculture and the industrial products for daily necessities in the process of agricultural development and improvement of the peasant's life.

As far as the connection between agriculture and industry and other branches of the national economy is concerned, and in the context of our socialist state where commodity production is in existence, the association of commodity exchange is inevitably manifested. Our agriculture is primarily a collective ownership economy, rural people's commune and its members get their cash by selling their surplus farm products. This cash is mainly used to buy industrial products for daily necessities in the market. The buying potential of agriculture and the countryside,

as the important market for light and heavy industry is mainly determined by the quantity of farm products available for selling by collective economic units and commune members.

The basic economic law of socialism has shown us that the purpose of development of socialist production is to satisfy, to the greatest extent, the ever increasing material and cultural needs of society and its members. The most basic and immediate need is consumer materials, food grains among the farm products, meat, eggs and other foodstuff, and light industrial products for daily necessities which are processed from farm products. On the basis of quicker development and high labor productivity in agriculture, the rapid increase of the percentage of commodities in farm produce and the volume exchanged is most significant in ensuring that the needs of society and its members are met.

Therefore, in the comprehensive balance of the national economy, the most important aspect in dealing with the relative ratio between agriculture and industry and other branches of the national economy is: On the one hand, the speed and scale of development in industry and other branches of the national economy should be correctly determined according to the available quantity of agricultural commodities produced; and on the other hand, cash receipts of the collective economy and commune members from the sales of farm products should be used as the basis to correctly calculate the percentage of cash receipts available for the purchase of industrial goods (including means of production and means of subsistence), which equates to the amount of purchasing power, and thereby rationally organize the production and supply of industrial commodities. (The cash amount used in the purchase of industrial subsidiary products by commune and brigade run industry, and commune members' income from labor. As this is not directly relevant to this discussion, no reference is therefore made.) One of the major phenomena of the so-called disproportionate national economy is that the development of industry and other branches of the national economy exceeds the quantity of agricultural commodities produced with the result that foodstuffs, meat and eggs are in short supply, and raw materials produced by agriculture for mills and factories are also in short supply; the underproduction of industrial commodities leads to a market situation in which demand exceeds supply. In a normal year, farm products within the collective economic unit of the people's commune and for the supply of commune members' own consumption, are being properly determined on the overall considerations of fulfillment of the state procurement plan, development of production, increase in collective savings and improvement of livelihood necessities of commune members; such considerations are based on the correct treatment of the state, the collectives and individual commune members and their triangular relationship. Though such farm products are calculated as income and for distribution to commune members, but the product itself does not come within the purview of exchangeable commodity, and is not in any way related to other branches of the national economy, and therefore is not incorporated in the comprehensive balance. And within the comprehensive balance the state's investment in various agricultural projects is mainly based on the capability of state finance, to be decided by the national budget and the balance of revenue and expenditure outside the national budget; this has no direct relationship to the kind of system adopted in agricultural planning. Therefore, the adoption of the farm product procurement plan would have no unfavorable effect whatsoever on the comprehensive balance of the national economy. On the contrary, the comprehensive balance would be able to more directly and accurately gauge the

equilibrium related to materials and cash between agriculture and other branches of the national economy, and greatly simplify the work of comprehensive balance; at the same time it can more conveniently carry out the policy of gradually diminishing the "scissors difference" between the prices of industrial and agricultural products; in practical terms, it can more timely and accurately assess the actual benefit for peasants after the procurement price for subsidiary agricultural products has been raised.

III

The adoption of a farm product procurement plan would definitely protect the autonomy in production of the rural collective economic units, inspire their initiative to implement the principle of acting in accordance with local conditions.

Agricultural production deals, with living animals and plants, which follow their own rules in breeding, nurture and growth, and are very closely linked to natural conditions; the whole process of agricultural production is the harmony of the two major factors of biology and the environment. Marx said: "The process of economic reproduction, irrespective of its social characteristics, is always interwoven with nature's process of reproduction within this department (agriculture)."^{*} This important feature of agricultural production requires the leadership to keep to the principle of acting in accordance with local conditions. It is therefore required to rationalize the planting of crops according to the natural conditions of the locality, the type of cultivation and the level of productivity, maximize the advantages and minimize the disadvantages; different plans and measures should be compared and a choice made. To really achieve this, one should rely on the broad masses and the cadres of the people's commune. Only they have intimate knowledge about the local natural resources, and cultivation of different crops and the characteristics of their growth. In terms of production, they are the most eligible speakers. Our country is a large country with complex geographical and climatic conditions. The natural conditions of different regions differ enormously. It is essential that the leadership responsible for agricultural production should take note of this in order to gain ideal economic benefits.

The agricultural production of our country, in a very long period, has been performed according to the whims of officials and by administrative orders from the top to the lower echelons of the people's commune: through this process, a plan for agriculture was made. This method makes compulsory decisions on what crops to cultivate, how much to cultivate and even how to increase production. Practical experience has proved that such an approach is detrimental to the development of agricultural production. There were, in the past, certain regions where areas for double-cropping of rice were compulsorily assigned, regardless of nature and objective economic conditions, and the three-harvest system was popularized across-the-board. Take the instance of Wujin County, Jiangsu Province where double-cropped rice acreage was blindly increased from 24 percent to 60 percent of the total acreage. The result was, due to the inability to keep pace with the seasons, labor and manure, food grain production fell from 1.34 billion jin in 1966 to 1.094 billion jin in 1977. For a period of 11 years, production fluctuated for 3 years

^{*} "Das Kapital," People's Publishing House, 1975 Edition, Vol 2, pp 398-399.

and fell for 8 years. By 1978, the county had learnt its lesson, and on consideration of the practical conditions adopted principle of acting in accordance with local conditions. The double-cropped rice acreage was cut back from 710,000 mu to 390,000 mu, which was 30 percent of the total rice cultivation; with such a cutback, the grain yield on the contrary increased to 1.538 billion jin.* This example has amply manifested that agricultural production follows its own natural laws. What crops are to be planted in an area, in a production unit, and what kind of cultivation system is to be adopted. All this has to be worked out in a practical production plan through mass discussion, and should suit local conditions, so that better economic results can be achieved. In the past several years, the losses suffered in agricultural production in certain areas can be attributed to the work style of the leadership; problems in agricultural planning may also be connected with it. Subjectivism and executive decrees are bound to harm the development of agricultural production; the practice of issuing direct orders for the production targets of rural people's communes also boosts the malpractice of issuing coercive orders and decrees at random. "The decision of the CCP Central Committee on the problem of speeding up the development of agriculture" pointed out: "Our leadership over agriculture must proceed from reality, and must be run in accordance with the law of nature and the law of economics, and in accordance with the interests of the masses, it must uphold the principle of democratic running of communes and respect and safeguard the democratic rights of the masses of commune members, and certainly cannot abuse administrative decrees, issue harmful directives and adopt a "cutting with one knife" solution without any regard to the complexities of the situation. In the planning of agriculture the adoption of a procurement plan for farm goods would help to meet these requirements.

As such, in the arrangement of agricultural planning, starting from the need for agricultural products for the development of the national economy, and in the light of the level of productivity of farm products in different regions and units over the years, and in consideration of the national layout of agricultural production, and taking the triangular interests of the state, the collective and the commune member into mind, the state could decree on the basis of individual regions, the procurement quota for farm products such as grain, cotton, sesame, silk, tea, sugar, vegetables, tobacco, fruit, herbs and other sundries. As long as the fulfillment of the state procurement plan is ensured, the basic accountable unit of the people's commune can make its own arrangements to solve its own internal needs, including the need for farm products required for expansion of reproduction, and the livelihood necessities of commune members. Such practice would allow the production team greater autonomy in production, and benefit the realization acting in accordance with local conditions. In reality, such an approach is also feasible. Because: On the one hand, the production team needs to sell its commodity farm products in return for cash to be distributed among the commune members, and to purchase materials for production; and on the other hand, for the sake of national economic development, strengthening the worker-peasant alliance, and a closer rural and urban relationship, the state also needs to procure farm products. Such a method must ensure the procurement through the signing of sales and purchase contracts, making use of procurement prices, the supply of materials for agricultural

* See "A Discussion on the Problems of System of Cultivation," "Guangming Ribao," 31 Mar 1979.

production, offering credit, incentive selling and other economic means, so as to impose control. As long as prices are reasonable, the method of commodity exchange through trading is also acceptable to the commune members. Reality has proved that in 1979, after the state had given a big boost to the procurement prices of farm and subsidiary products and offered additional rice for sales in excess of the quota, the total amount of procurement of farm and subsidiary products for the whole country rose by 27.6 percent over the figure for 1978, even deducting the factor of the inflated price, the actual growth amounted to 4.5 percent.

IV

The adoption of farm and subsidiary product procurement plans by the basic accountable unit of the rural people's commune is a major reform of the present agricultural planning system. Leading comrades had already propagated it over 10 years ago, and many comrades are deliberating on this question at the moment, besides, more and more people are coming round to the idea; however it is not easy to put it into practice. On the one hand, no reform can be completed overnight, and the other reason is the obscurity of the dividing line between right and wrong. Some comrades fear that such reform could be taken as forsaking the socialist planned economy. The question warrants a conclusive discussion based on theory and in conjunction with practice.

A socialist planned economy means that in the light of the requirements of objective economic laws such as the fundamental economic law of socialism, the law of planned and proportionate development of the national economy and the law of value, the state is to coordinate in planning the pace and proportion of development in agriculture, light industry, heavy industry and other branches of the national economy, and to work for the realization of planned and quick development of the national economy. The plan is the means by which the economy of a socialist state is managed. The aim of planning and the carrying out of a planned economy is to satisfy, to the greatest extent, the ever increasing material and cultural needs of society. The adoption of a planned economy by a socialist state is an important manifestation of the superiority of the socialist system.

Taking stock of the practical experience of economic construction of our country since liberation, it could be said that basically, our country represents and protects the interests of the whole people but that does not imply that the plan formulated by the state can justifiably reflect the requirements of the objective economic laws and completely coincide with the interests of the masses of laborers at all times. At the present juncture in particular, two forms of ownership, the system of ownership by the whole people and the system of collective ownership are still in existence in our country. In the collective ownership economy, the state can only pursue indirect planning, resort to commodity exchange, the law of value, price, credits, sales and purchase contracts, incentive selling and the similar economic policies and economic measures, and indirectly guide its production along the lines of the need of state planning; a far cry from the way of dealing with the economy of ownership by the whole people, whereby, the state directly decrees the planning. In view of our rather low level of productivity at the present moment, and wide differences still in existence between the physical and technological conditions and the extent of socialization in production within enterprises, the maturity of public ownership requires a process of continuous growth and continuous

upgrading, therefore, in dealing with enterprises under the system of ownership by the whole people, a certain amount of autonomy is given to the production plan; a recognition that differences of economic interests exist in an enterprise. Our dealing with the socialist planned economy, therefore must not be in the sense that the economic activities of all enterprises should be stipulated by the state or the higher administrative departments, or acceptance of only the uniformity of state planning, and denying the production unit the right to retain a certain degree of independence and flexibility under the unified command of the state plan.

Erroneous ideas about the socialist planned economy confuse the distinction between socialism and capitalism, resulting in the recurrence of the situation of earlier years in the sphere of production such as: It is only necessary to plant according to the planned directives of the higher authorities regardless of whether they were harmful directives in contravention of natural and economic laws; this was taken to be socialism; on the other hand, teams that complied with the interests of society were labelled "free cultivators," "capitalists" and criticized, because their planting was based on the merits of local conditions and on proper timing. Due to this, agricultural production was severely jeopardized. This is a most profound lesson.

The evaluation of the rationale of a planning system is much the same as the evaluation of production relations, the only criterion is whether the system stimulates the growth of productivity. As long as the system promotes productivity, the credibility of the emergence and existence of the system must be affirmed. An agricultural planning system dominated by a farm product procurement plan should fit in well with the features of the agricultural economy and agricultural production of our country, and facilitate the strengthening of agricultural planning and the state leadership for agriculture, and be beneficial to the proper handling of the triangular relations of interest of the state, the collective and the commune member, and aid mobilization of socialist fervour among the broad masses of cadres. The agricultural planning system therefore should be affirmed and favourable conditions be created for its active promotion.

Since the change from an agricultural planning system to a farm product procurement plan, the state agricultural production plan in the main, should draw up mid and long term projects for the development of agriculture. Based on the regional agricultural plan and the needs of the state for the creation of commodity grain bases and industrial crops bases, the state should draw up various agricultural development plans and envisage measures for realization of the plans. In order to ensure the fulfillment of the procurement quotas for farm products, the state may, based on the mid and long term projects, set up pilot targets for production of major farm goods. The target directive should reach down to the county level. The county will be responsible for working out an average between the pilot target being decreed by the state and the production plan submitted by the commune and the teams. Should major discrepancies be found, the interests of the state, the collective and the commune member are to be safeguarded. According to need and feasibility, adjustments through consultation with the communes and brigades can be made, the pilot target set up by the state may also be revised, so that unanimity is reached between the principals and subordinates. The state plan must be coordinated with the plans of the communes and brigades, and planned guidance by the state must be combined with respect for the autonomy of the communes and brigades.

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ECONOMIC PLANNING

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[Article by Huang Yongshi [7806 3057 6524] of the economics department of Wuhan University: "Expand Forestry and Maintain Ecological Balance"]

[Text] Land is a condition of subsistence and reproduction for humanity which has been passed on from generation to generation and cannot be replaced. In the broader sense of agriculture, land plays its role as a tool of production. All tools of production, such as machinery, will wear out with protracted use. It is different with land which, // "if handled properly, can be constantly improved." // 1 [slant-lines denote boldface type] The mountain areas in our country account for two-thirds of the total land area. How such a vast area of land resources should be managed and utilized is an important problem that should be studied conscientiously in our modernization of agriculture. There is no harm in supposing that the agriculture of our country cannot be considered as having realized all-round modernization if, after a certain period of modernization construction, there is a fairly big increase in the modern means of production, but vast areas of our country are still barren, soil erosion remains the same as before. The Huang He is still a famous "destructive river" in the world and even the Changjiang has turned into a "second Huang He." At the same time, forests are also the greatest ecosystem. Without forests in our mountain areas or if the forests are destroyed, it will be impossible to maintain ecological balance in nature and soil erosion and weather imbalance will result which affect agriculture and animal husbandry as well as the development of the overall national economy. On top of that, the production cycle of a forest is long. Marx noticed this problem and pointed out, "It takes 10 to 40 years or even longer to finish a cycle."² The cultivation and building of forests cannot be accomplished overnight. We should, therefore, attach great importance to mountain areas and ecological balance and, with the attitude of being responsible to our children and grandchildren, seize the opportunity and strengthen forest building.

I

Ours is a mountainous country with hilly areas making up 33 percent, high lands 26 percent, hills 10 percent, basins 19 percent and plains 12 percent of the total

1. Marx: "Das Kapital," Vol 3, People's Publishing House, 1975 edition, p 880.

2. Ibid., Vol 2, p 272.

area of 9.6 million square kilometers. What we generally call mountain areas, consisting of hilly areas, hills and the fairly rugged highlands, account for about two-thirds of the total area. More than half of the counties throughout the country are situated in hilly or semihilly areas with some of the provinces and districts covered by 70 or 80 percent of hills (hilly areas accounting for 70 or 80 percent). Our country being situated in temperate, subtropical and tropical zones and close to the Pacific Ocean, there is an abundance of rainfall over a vast area. It is rather dry in the northwest, but the water from melting snow in the high mountains and the groundwater are enough for irrigation. Under such natural conditions, our country's forest reserves have been rich in history. To this day, there still exist large areas of primeval forests in Da Hinggan Ling and Xiao Hinggan Ling in the northeast, and Altay Shan and Tian Shan in the northwest. Even in the border and hinterland of the Takla Makan desert, the biggest desert in our country, grow luxuriously close to 5 million mu of natural diversiform-leaved poplar forests. Fujian and Taiwan in the southeast are very rich in forest reserves, and so is the southwest. Generally speaking, there are different acreages of forest reserves in other provinces and areas. But in past dynasties, the forests in our country have suffered great damage. The existing forests in our country have suffered great damage. The existing forests in our country mentioned above have one factor in common, that is, they are situated in remote and out-of-the-way areas. That is why they can survive to this day. Conversely, where they are not situated in remote areas, most of them have been destroyed. The reason why it is bare is that it is a big city. Damage to forests and soil erosion are most serious in the provinces along the Huang He valley, especially in the gully area of loess hills centered round northern Shanxi which, in the past 3,000 years and more, has always been the heart of political, economic, military and cultural activities in our country. In ancient times, the forests and grass in this area were dense and thick and the water of the Huang He was clear. "Weifeng: Lumbering sandalwood" in "The Book of Songs" says, "fell sandalwood trees and place them in midstream which is clear and ripples." At that time there was vegetation such as sandalwood whose crowns, during thunderstorms, served to intercept from above and there were bushes, withered twigs and fallen leaves to contain the water below, thus rain water was unlikely to wash away silt directly; and during the gale seasons, it was possible to reduce wind velocity and weaken wind force because of towering forests and the protection of vegetation. This not only prevented sand and soil from being blown away, but also reduced evaporation of topsoil and thus conserved water and soil. At that time, there was a balance in natural ecology and so the water in the river was clear. However, the feudal ruling class of past ages in our country lived in the seclusion of their homes. Knowing only how to live in luxury and extravagance, they went in for large-scale construction as they pleased, built palaces and towers, and caused great damage to the forests. In the most famous palaces in history such as the Afang Palace in the Qin Dynasty, there was a tower at every 5 paces and a pavilion at every 10. The palaces started to be built in the 35th year of Qin Shihuang but was not finished when the Qin Dynasty was overthrown. When Xiangyu entered the central plain, he set fire to the palace and the fire did not die out for 3 months. In the 7th year of Han Gaozu, Xiao He again built Weiyang Palace with a circumference of 28 li and 30-odd halls and pavilions. Such was the disdain with which feudal rulers of the past dynasties treated the financial resources of the people and recklessly wasted things. This was one of the reasons why forests were greatly damaged in our history and the ecology gradually lost its balance. At the same

time, the Huang He valley has always been the key area of our country's military activities for 3500 to 3600 years since the Shang and Zhou dynasties. Changes of dynasties, the establishment of separatist regimes by military governors, struggles among the upper members of fraternal nationalities, fights among rivals for the throne and frequent wars, all these have also done serious damage to the forests. Besides, for a long time our country was under a feudal society and the main production activity was agriculture. As there was very heavy feudal exploitation, rice was as precious as pearls and firewood as costly as cashia. The only way out was to destroy forests and open up wasteland. For thousands of years, there was only destruction of forests and no cultivation, and natural resources were all but exhausted. Owing to the various reasons cited above, our forest areas amounted to only 8 percent of the total land area of the country by the time of liberation and became one of the countries in the world with the least forests. Forest cover was lower by one half than the world average level and per capita forest area was only 2 mu. The fact that ecological balance has been seriously damaged does not suit the needs of the construction of the national economy nor the people's environmental needs.

II

Since the founding of the PRC, we have adopted some measures, such as planting trees and growing grass, afforesting barren hills and planting various kinds of windbreak forests, thus raising the forest cover from 8 percent to 12.7 percent. However, it should be said that we have not sufficiently understood the great significance of this work, especially its great role in the maintenance of good ecological balance in agriculture and the achievements have not been remarkable. During the 10 years of calamity, some localities felled trees indiscriminately and serious damage was done to forests in reclaiming wasteland and, on top of that, some forestry departments not only regarded felling as more important than planting but went so far as to do the felling only without doing any planting, with the result that the forest reserves and ecological balance were again seriously damaged. Take the forest region in Daxinganling forestry area for example. Since 1968, forests destroyed in reclaiming wasteland or felled indiscriminately have amounted to several hundred thousand mu, those destroyed by fire have amounted to 15 million mu or so and timber consumed as fuel by local residents, offices and units has totalled 2 million cubic meters and more every year. Forestry work departments have felled big areas of trees but planted small areas of them. All this has resulted in the forest reserves suffering damage and the ecology losing its balance, reduced rainfall and increased wind velocity, which has not only affected local production in agriculture and animal husbandry, but also threatens the survival of the Hulunbuir grassland. The area of tropical natural forest in Hainan Island has also been reduced from 12.95 million mu in the early postliberation period to 3.67 million mu at present and the forest cover has dropped from 25.7 percent to 7.2 percent.

Many countries in the world have gone through the path from destroying forests to restoring them. Some countries such as Sweden and Finland have restored their forests after long term efforts. At present, forest cover in Sweden is 57 percent, in Finland, 61 percent and in the United States 34 percent. The United States used to fell trees without bothering to plant them, which not only destroyed forest reserves but also caused serious soil erosion. They drew lessons from this and,

particularly in recent years when they have become aware that they cannot meet the needs for timber in economic development, also speeded up artificial afforestation.

In the history of our country, our forests have suffered serious damage and the ecology has suffered severe loss of balance. Since the focal point in national work was shifted to socialist modernization, the State Council has decided to carry out the project of building a forest shelter system in the "three norths"--the northwest, the northern part of north China and the western part of the northeast. Our country has also promulgated the "forest law," which will undoubtedly exert tremendous influence on speeding up the development of afforestation, the restoration of ecological balance and ensure production in agriculture and animal husbandry.

The "forest law" stipulates that forest cover throughout the country should generally reach 30 percent...Counties in mountainous regions should generally reach 40 percent and more, counties in hilly areas should generally reach 20 percent and more and counties in plain areas should generally reach 10 percent and more. It has been studied that there can be fairly good ecological balance, regulation of weather and reduction or prevention of soil erosion if forest cover in the country reaches 30 percent and if the forests are distributed evenly. Many provinces, districts and counties in our country are situated in mountainous or semimountainous areas. They should develop afforestation vigorously. It is entirely feasible for the counties in mountainous areas to achieve 40 percent and more in forest cover. In accordance with the local specific conditions, some mountainous areas can also gradually achieve 50 percent and more, or even 60 percent and more. For instance, in Lingxian County at the western foot of Jinggangshan where there is "90 percent hills, 5 percent water and 5 percent fields," hilly areas account for 90 percent of the total area. After the downfall of the "gang of four," the county party committee led the cadres and people in going up the mountains to plant trees and the forest cover has now reached 89 percent of the total hilly area in this county.

However, we should take into account both necessity and possibility when drawing up a plan or formulating policy. When vigorously developing afforestation, we should proceed from reality and should see that the development of forestry takes time. The production cycle of a forest is long and it is therefore necessary to combine long term interests with immediate ones. To achieve this aim, it is first of all necessary to combine the long and the short in forestry. For example, the production cycle of timber woods is often as long as 10 years, or scores of years and, to combine with this, it is necessary, according to local conditions, to plant at the same time such economic forests as fruit trees and woody oil-bearing plants, which will bear fruit in a few years' time, and we will thus be able to have gains every year. Second, there is also a question of combining long term interests with short term ones in forestry and animal husbandry. Generally speaking, the production cycle of the latter is shorter than that of the former and, therefore, grass can be grown on gentle mountain slopes and hills in order to develop animal husbandry. Third, with the exception of fields on steep slopes which can easily result in soil erosion and should be given up for the restoration of animal husbandry, the existing cultivated land should continue to be tilled and tilled well in order to meet the needs of the local people for grain and other cash crops.

The woods and grass on hills can control soil erosion and prevent drought and waterlogging. At the same time, with the development of animal husbandry, more high quality organic fertilizer can be applied to the farmland and, in addition to other measures for increasing production, such as improvement of seeds and prevention of plant diseases and insect pests, per unit area yield of the farmland will inevitably be raised gradually. Following the rise in per unit area yield of such field crops as grain, some farmland can also be given up for the restoration of forestry and animal husbandry and, following further development of forestry, various kinds of processing industries related to forestry can also be established. In this way, both communes and brigades in mountainous areas, though their main task is forestry, can likewise achieve an all-round development in agriculture, forestry, animal husbandry sideline occupations (industry) and fishery and contribute to the realization of the four modernizations.

The gullies in loess hills are areas in our country where ecological balance has been seriously damaged. To develop forestry and conserve water and soil is a fundamental measure in changing the face of these areas.

The loess plateaus in our country, the biggest loess area in the world, cover an area of 580,000 square kilometers, 430,000 square kilometers of which are soil erosion areas, most of them being in the middle reaches of the Huang He. Soil erosion is especially serious in an area of some 200,000 square kilometers which, centered around northern Shaanxi, includes western Shanxi, southern Nei Monggol, eastern Gansu and southeastern Ningxia, forming a gully area in loess hills with broken terrain and crisscross gullies. For thousands of years, this area has been stripped of vegetation, the ecology has lost its balance and the soil eroded. Once it rains and there are thunderstorms, the result is surface runoff, the silt is washed away, and both water and soil are lost. Not only is the weather in this area dry, the soil poor, and the production level in agriculture as well as the people's living standard low, but also it causes serious and frequent floods and waterlogging in the vast plains of Hebei, Shandong and Henan provinces in the lower reaches. Looking back on history, one can see that the Huang He is the source of the longstanding Chinese civilization. The reason why it has become a "destructive river" is that people improperly handled the land on both sides of the middle reaches and its tributaries, destroyed vegetation and violated the natural law of ecological balance.

The destruction of forests in the middle reaches of the Huang He brought with it a large amount of silt. A particularly large amount of silt is carried by such tributaries as the Wuding He, the Yan He, the Luo He and the Jing He in northern Shaanxi. We have had a set phrase "as different as the waters of the Jing He and the Wei He" in our country since ancient times. The "Shih Chi" [historical records] even definitely records, "there are several dou of silt in 1 hu of the Jing He's water." Thus we can see the great quantity of silt in the Jing He. In the early 5th century, the Wuding He was still called the "clear stream" but, following many years' destruction of forests and the development of ecological imbalance, it is calculated now that 300 million tons of silt is conveyed annually to the Huang He by the Wuding He along. In addition to this, there is also no small amount of silt flowing into the Huang He annually from the east bank of the Yellow River, that is, the gully area of loess hills in northwest Shanxi. According to statistics, the average loss of silt annually exceeded 10,000 tons per square kilometer during the 10 years before 1971, that is to say, 7 tons of silt was lost per mu.

According to investigations by the units concerned, the total area of gullies in the loess hills is 4.5 billion mu and more, of which more than 200 million mu are barren hills and wasteland and more than 100 million mu are existing cultivated land. With a population of more than 24 million, there is an average of about 4 mu of cultivated land for every person, which is more than twice as much as the average of 1.9 mu per person nationally and 3 to 4 times or even 7 to 8 times more than the per capita cultivated land in many areas of the south. However, because of destruction of vegetation, there is serious soil erosion and ecological imbalance which damages the environmental conditions for agricultural production. As a result, the more it is cultivated the poorer the land becomes and per mu yield in many places is only about 50 jin. In order to restore ecological balance in this area and provide good environmental conditions for the production in agriculture and animal husbandry, the state should clearly stipulate that the gully areas in loess hills are water and soil conservation areas. This will not only serve the long term interests of the 20-odd million people in the area but also serve the long term interests of hundreds of millions of people in Hebei, Shandong and Henan provinces in the lower reaches of the Huang He and should be regarded as key national construction projects. From the long term strategic point of view, production in this area should be shifted to the main task of forestry and animal husbandry in order to attain this aim. However, it should also be noticed that for a certain period of time it will still be impossible to provide any timber or forest products and will also be impossible to provide a lot of livestock products for the next 3 to 5 years. It is therefore necessary to pay close attention to afforestation, conserve water and soil and regard them as an overriding capital construction task in this area and as a great socialist undertaking. At the same time, with the exception of cultivated land on excessively steep slopes which should first be given up for the restoration of forests and forage grass, it is still necessary to concentrate manpower and material resources on the existing cultivated land of more than 100 million mu for the production of grain and other crops and to strive to gain self-sufficiency in grain. With the rise in the per unit grain yield, the acreage under cultivation can gradually be reduced for the restoration of forests and forage grass. The existing 200 million mu or more of barren hills and wasteland should all be promptly afforested, step by step and in a planned way, in order to develop forestry and animal husbandry. Afforestation is a biological measure and a fundamental policy for the conservation of water and soil. Practice in many places has proved that it is difficult to prevent soil erosion if only engineering measures have been taken to the exclusion of biological measures. It will be difficult to protect a dam in a gully if attention has been paid only to the maintenance of the dam without planting trees and growing grass. Situated by the Wuding He, Feiyuan gully in Shuide County paid attention to the construction of terraced fields and was once an advanced unit in the loess plateau 20 years ago. However, they did not pay attention to afforestation. As a result, the big dam of Feiyuan gully and its "Changjiang fields" were washed away overnight in two torrential rains of 150 mm in July 1977. Conversely, Nuanhong gully and Chenjia gully--the other two gullies situated in the same Shuide County attached great importance to planting trees and cultivating grass while building dams and opening up fields and their forest cover amounted to 32 and 41 percent of their respective drainage areas. Under the same conditions of 150 mm of rain in 2 hours in July 1977, there was very little soil erosion, the four dams were safe and sound and their per mu output of gaoliang that year came to 500-odd jin. By the same reason, when building water conservancy work in the Huang He, we

should also pay attention to afforestation on both banks of the main stream and its tributaries in order to prevent soil erosion. Otherwise, under the conditions of ecological imbalance, the water conservancy work will burst or be choked with silt. Viewed from the construction of the Sanmenxia reservoir project, the amount of silt in the Huang He has been increasing in recent years because afforestation work has not been grasped in good time in the vast drainage area of the main stream and the tributaries in the middle reaches of the Huang He. The state of a vicious circle of ecological imbalance has not been fundamentally changed and soil erosion is serious. According to surveys, the amount of silt passing through Sanmenxia in the early postliberation period was about 1.3 billion tons annually, but it has now increased to 1.6 billion tons. As a result, the reservoir has become a "silt storehouse," unable to play its proper role. It will not take many years before the Sanmenxia reservoir is silted up if we do not carry out afforestation vigorously in the gully area of loess hills, change the situation of ecological imbalance and do a good job of water and soil conservation work.

According to investigations, the problem of the Changjiang is also very serious. Statistics in the last few years show that, owing to damage of forests and soil erosion, the total eroded soil in the Changjiang valley amounts to some 2.4 billion tons annually. According to estimates by the departments concerned, the silt washed away throughout the country is at least 5 billion tons annually or a 1 cm layer of topsoil is washed away annually from cultivated land throughout the country. Scientific studies at home and abroad show that a few inches of topsoil is very important for the development of crop production and the maintenance of human life. It is a very serious problem that 1 cm of topsoil should be washed away annually from cultivated land throughout the country. Although it is possible to restore the topsoil washed away, the process is extremely slow. According to studies conducted by foreign scientists, it takes 500 to 1,000 years to restore about 1 inch (equal to 2.54 cm) of topsoil. Thus it can be seen that not only the Huang He valley, especially the gully areas in loess hills, should be afforested vigorously and promptly, the work of conserving water and soil should also be strengthened in the Changjiang valley and other parts of the country from Heilongjiang in the north to Hainan Island in the south. First of all, it is necessary to protect the existing forest reserves, to strictly prohibit indiscriminate felling and cutting, correct the erroneous tendencies of regarding felling as more important than planting, prevent bush fires and reform the backward habit of "cutting ashes" (in the rural area of Enshi, Hubei Province, bushes and weeds on the slopes are cut every year before sowing, burned into ashes and used as fertilizer, hence "cutting ashes.") At the same time, it is necessary to plant new forests actively, including timber forests, economic forests, forests for firewood and charcoal and so on, fundamentally change the situation in which the ecological balance over a vast area of the country has been damaged and provide good environmental conditions for the all-round development of our country's agricultural production. According to the experience gained by our laboring people during long years of transforming mountains and taming rivers, it is necessary to adopt the principle of "from top to bottom" in afforestation and conservation of water and soil, starting from the top of mountain ridges and then dealing with the slopes and ditches. One mountain top transformed means one less to be eroded.

III

To develop forestry is of great significance to the maintenance of ecological balance in agriculture and to the speedy development of agricultural production.

In order to do a good job of forestry, the following aspects of the problem should be solved conscientiously under the leadership of the party:

1. To fully arouse the enthusiasm of the broad masses for afforestation is a prerequisite for the development of forestry while to clearly define the ownership of mountain forests and trees, make clear the rights and responsibilities of the three parties, that is, the state, the collective and the individual and give consideration to the interests of all parties plays a very important role in mobilizing the enthusiasm of the broad masses. It is imperative, therefore, in accordance with the "forest law" and the spirit of the instructions of the Party Central Committee and the State Council dated March 5, 1980, to carry out earnestly the policy that those trees planted by the state belong to the state, those planted by the communes belong to the communes, those planted by the production teams belong to the production teams and those planted by the commune members in front of or in back of their houses or in places designated by the production teams belong to the commune members personally. State owned barren hills and wasteland near the communes and production teams which the state is not in a position to manage can be planted with trees by the communes and production teams, with ownership of the land remaining unchanged but the forests and trees belonging to the communes and production teams. But to open up wasteland for the purpose of growing crops or to use it for other purposes is prohibited to avoid soil erosion. It is also permissible to implement the method of planting trees cooperatively between the state and the communes and to share the [word indistinct] between state-owned forest and those of communes and brigades, or between the mountainous areas of one commune or brigade and another, it should be settled by both parties through consultation and defined clearly under the leadership of the party to avoid the occurrence of land disputes and dampening the enthusiasm of the masses for afforestation.

2. To fell and to plant are two aspects which condition each other and complement each other. To plant trees is for the purpose of felling them, but only by doing a good job of planting can an abundant basis be provided for felling. Our country is now poor in forest reserves and the forest cover is low. Under these circumstances, planting trees should even be placed in the most important position in forestry production. Therefore, in order to develop forestry, the policy of felling and planting trees simultaneously and of making planting the basis should be implemented. Only in this way can we realize Premier Zhou's instructions before his death, "the more we fell, the more and the better we have. The green hills are always there for our use forever." From now on, the wrong tendencies of regarding felling as more important than planting in forestry departments should be checked in earnest in order to protect the existing forest reserves and build new forests vigorously. It is necessary to assign simultaneously the tasks of cultivating and felling and make these two the basis for checking the achievements in managing forestry enterprises.

3. Price policy plays an important role in regulating production. Reasonable prices can promote production; conversely, they can hinder the development of production. When fixing purchase prices for timber and forest by-products, it is important to consider the interests of the three parties, that is, the state, the collective and the individual. One of the reasons why afforestation plans have not been fulfilled and timber forests have not been able to develop in recent years is that the mountain price is rather low. At present, the mountain price for timber

is only 4 to 7 yuan per cubic meter in some places and, when felled and sold to the state, the timber fetches only 28 yuan. The masses are of the opinion that it is better to sell chopped wood than sell timber in such a way to the state and it is more profitable to let the hills grow with all sundry woods than to plant timber forests. To solve this problem, the departments concerned should, in accordance with the needs of economic law, adjust the purchase prices for some forest products and thus ensure the fulfillment of the state plan. Similarly, on the question of purchasing fruit and other forest by-products, state owned commercial departments should also, in accordance with the state price policy, strictly implement the policy of negotiating the price according to quality and giving the best price for the best quality goods. Under no circumstances should they hold down grades, force down prices and dampen the production enthusiasm of fruit peasants. As some fruit is liable to rot, it is all the more necessary to actively arrange an outlet for it and deliver it on time to avoid causing losses. To sign contracts in advance between production and selling units and between localities and to deliver or receive goods on schedule according to the stated quality and quantity is an effective measure to ensure the balance between supply and demand and ensure equality and mutual benefits. Both parties should uphold the solemnity of the contract and should, under no circumstances, be allowed to fail to carry out the stipulations in the contract one-sidedly or scrap the contract at will. Otherwise, compensation for losses should be paid according to law.

4. To afforest hill locks and wasteland is an objective which we must make efforts to attain. But it is also a very real problem to ensure the need for grain in the localities. In order to handle this contradiction correctly, it is necessary, in the course of planting forests and growing forage grass, to make overall plans and take all factors into consideration and solve well the grain ration problem of the commune members. The work of abandoning some fields on slopes for the restoration of forests and forage grass should be carried out step by step. While efforts are being made to raise the grain yield per unit area, sloping fields can gradually be abandoned and afforested. When some steep slopes should urgently be abandoned but the yield per unit area has not been raised, it is feasible to adjust state purchase quotas properly according to actual conditions in order to reduce the burden of the peasants. If necessary, part of the grain can be allocated and transported from nearby grain-producing areas to ensure that the grain ration of the commune members in forest regions is not less than that of commune members in nearby grain-producing areas.

5. Burning firewood is an important practical problem in people's life. In autumn, when leaves turn yellow and fall, residents near the forest region often go to the hills in groups and rake up withered twigs and dead leaves for fuel. This greatly affects the maintenance and restoration of the natural ecological balance. The layer of withered twigs and dead leaves under the forests plays a tremendous role in conserving water resources in the forests, maintaining soil fertility (humus) and thus maintaining ecological balance. Residents near forest regions should therefore be dissuaded from raking up withered twigs and dead leaves under the forests. The people's needs for fuel in daily life should be solved and every possible means should be tried, such as planting firewood and charcoal forests, mining coal vigorously where there is a coal mine, developing methane-generating pits vigorously and exploiting solar energy. In the forest regions of our country-side, there are a lot of effective measures which should be investigated and studied by the masses and promoted vigorously. The question of burning firewood in these regions should be solved well to create conditions for the development of afforestation, forest protection and the maintenance of ecological balance.

(Date of receipt of revised manuscript: August 1980)

ENERGY

POTENTIAL FOR ENERGY CONSERVATION STILL GREAT

Yanshan Petrochemical Company Doing Well

Beijing BEIJING RIBAO in Chinese 12 Apr 81 p 3

[Article by Li Bingren [2621 0014 0088]: "Yanshan Main Petrochemical Company Conserves an Equivalent of 120,000 Tons of Standard Coal in 1980"]

[Text] Since last year Yanshan Main Petrochemical Company has made further progress in strengthening their conservation efforts in the area of management and innovation and achieved increases in production without consuming more energy. As compared to 1979, the gross value of industrial production of Yanshan in 1980 increased 6.2 percent, contract profit payment increased 8.1 percent while in the meantime the total energy consumption decreased 5.5 percent and the general power consumption decreased 7 percent. This saving is equivalent to 120,000 tons of standard coal or 8,400 tons of fuel oil.

Yanshan Main Petrochemical Company is an extra large energy consumer of Beijing. It consumes an equivalent of 1.7 million tons of standard coal per year. In the past its energy resource management organization amounted to a rubber stamp. In 1980 the company reinforced its leadership regarding conservation and established task force offices in the main office and in the large enterprises under its jurisdiction. Several hundred cadres and technical personnel spent 6 months and conducted a second general survey of the energy resource distribution and utilization status of the entire company. After understanding the situation, they determined that the emphases of the conservation effort should be placed on management and innovation.

Since 1980 the company has tightened its management on energy consumption to eliminate waste and at the same time devoted great efforts to innovation and exploitation of latent energy capacity. Steam consumption is 51 percent of the total power consumption of the company, however, there are serious leakages and heat losses due to chaotic layout, poor installation quality and old and unrepaired pipelines. Last year, the company mobilized tens of thousands of employees in an extensive insulation and stopping leak campaign to consolidate the steam pipe network and greatly reduced steam losses. The No 1 and No 2 electric generation station of the power plant have 11 boilers that provide steam for the production facility. Since last year these two stations have not only participated in the boiler emulation organized by the main office but also staged their own emulation

between teams and groups on a smaller scale. They have not only insured a safe and stable production but conserved energy as well. Compared to 1979, their fuel oil consumption was 3,400 tons less but their electricity generation was 20 million kwh more. They saved 6 million kwh of electricity, equivalent to 6,500 tons of standard coal. The East Is Red Oil Refinery produces and extracts aromatic hydrocarbon products and has always been using ethylene glycol diethylether as a solvent. This solvent has poor selectivity and solubility. In 1980 this plant switched to ethylene glycol triethylether. This change not only reduces the solvent consumption by a factor of 2 and uses one less centrifugal pump but also conserves 1 million kwh of electricity and an amount of steam equivalent to 2,800 tons of standard coal. Qianjin Chemical Plant also made further improvements in the production technology and operation procedure of their splitting device, reduced the running time of 24 hours in 1979 to 12 hours after the overhaul and saved 1,200 tons of oil. The main office made a total of 50 energy-saving measures since last year, out of which 20 are technical modifications and revisions.

Although substantial achievements have been obtained by the Yanshan company, squandering of energy resource still exists and potential for conservation is still great. It is estimated that the recoverable energy resources of the entire company amount to an equivalent of 570,000 tons of standard coal per year and 35 percent of which can be realized in short term with some investments.

Vigorous Conservation by Energy Consumers

Beijing BEIJING RIBAO in Chinese 12 Apr 81 p 3

[Article: "More Vigorous Conservation Effort by Large Energy Consumers Urged"]

[Text] Among the large energy consumers of Beijing there are the Capital Steel Mill, the Yanshan Main Petrochemical Company, the Petrochemical Plant No 2 and the Coking Plant. These units have obtained substantial achievements in conserving energy but there is potential for further conservation. Yanshan Main Petrochemical Company conducted a general survey last year on the distribution and utilization of energy resources in the entire company. It is estimated that the recoverable energy resources amount to an equivalent of 570,000 tons of standard coal per year and 35 percent of which can be realized within a short period with some investments. In Beijing the level of electricity consumption in electric furnace smelting of steel, in crude oil processing, and in cotton yarn production, the consumption of coke in carbide manufacture and the consumption of coal in printing and dyeing of fabrics are all higher than the national level. This indicates that wastes of resources are still serious and potential for conservation is still great. In 1981, the supplies of coal, oil and electricity all fall short on the industrial and transportation fronts, the only solution is conservation. We must resort to conservation for production increase and economic effect. The 1800 industrial electricity consumers and 1600 industrial coal consumers, especially the large consumers and their supervising units, must further strengthen their leadership, make a great effort in conservation and produce some results. Experience tells us that once these large energy consumers put their efforts to conservation, there will be tens of thousands of tons of coal and oil and increases in production and decreases in expense can surely be realized.

Company Examines Consumption Norms

Beijing BEIJING RIBAO in Chinese 12 Apr 81 p 3

[Article by Li Qingho [2621 1987 0735] and Jia Shutien [6328 2579 3944]: "Municipal Main Coal Company Seriously Examines Fuel Consumption Norms"]

[Text] The Municipal Main Coal Company and other municipal departments concerned seriously examined the evaluation of production fuel consumption norms in industrial and mining enterprises and promoted fuel conservation.

The consumption of coal and mazut are the major energy consumption items in industrial production. There are 111 major enterprises in Beijing that have annual coal consumptions exceeding 5,000 tons. In order to cut down on energy consumption and promote sound management, usage and conservation of fuel, the Municipal Main Coal Company and other concerned departments evaluated the fuel consumption of 45 major products of 75 enterprises in 19 branches of industry in Beijing last year. Out of the 45 products, the fuel consumption of 38 products (i.e., 84.4 percent) in 1980 was lower than that of the same period in 1979 and saved 100,000 tons of coal and 20,000 tons of oil. The fuel consumption of 36 products (87.8 percent of 41 comparable products) are equal to or better than the best level in history and saved 200,000 tons of coal and 5,000 tons of oil. The branches of industry that had large decreases in fuel consumption include electricity generation, glass, brewing, leather, metallurgy, textile, brick and tile, and small chemical fertilizer. For example, Beijing Carpet Mill No 1 reinforced their business management and repaired their pipelines to eliminate leaks and losses. They increased their production by 23.7 percent over 1979, reduced their coal consumption from 794 kilograms to 580 kilograms per hundred kilograms of dyed cotton yarn and saved more than 2,000 tons of coal. In the Steel Mills No 1, No 2 and No 3, Beijing Steel and Special Steel Mill, the oil consumption per ton of structural steel was reduced by 13 kilograms as compared to the same period in 1979 and saved almost 10,000 tons of oil by taking conservation measures such as wrapping the piping of the heating furnace for steel rolling, installing air preheater and improving the oil nozzles.

Among the enterprises which participated in the evaluation last year, there were still 14 enterprises where the fuel consumptions of seven products were higher than that of the same period in 1979. These seven products (15 percent of the 45 products evaluated) caused an extra 9,000 tons of coal consumption last year. In order to conserve energy, the Municipal Main Coal Company and the other municipal departments concerned requested that the enterprises first examine their product fuel consumption norms in their conservation efforts. The enterprises are also requested to mobilize the masses in revealing contradictions, plugging up loopholes and to conserve more fuel for the four modernizations movement.

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ENERGY

PROBLEMS IN MINE CONSTRUCTION DISCOVERED

Beijing CAIZHENG [FINANCE] in Chinese No 4, 1981 p 22

[Article by Chen Jie [7115 2638] and Ji Kesheng [4764 0344 4939]: "Several Problems in Mine Construction Require Attention—An Investigation of the Shangyukou Mine at Hancheng County, Shaanxi Province"]

[Text] With energy resources in short supply in today's China, it is vitally important to accelerate the production of coal in order to meet the demands of the national economic readjustment and the four modernizations. In the past, however, due to the influence of "leftist" thinking, some of the coal industries unilaterally and hastily pursued high standards and high volume of production and ignored the procedures for capital construction in their rush toward achievement, and as a result, there were unnecessary wastes and losses. We have recently investigated the construction of the Shangyukou coal mine of the Hancheng Mining Bureau in Shaanxi Province and discovered some problems requiring attention. We now present the following points for consideration.

Shangyukou mine is located in the northeast part of Hancheng County, Shaanxi. It is part of the Xiayukou coal mine of the Hancheng mine region in the Weiwei plateau coal field. Shangyukou mine consists of a pair of small mine shafts that came on line in 1958 and then went off line in 1960. In 1970 Shaanxi Province adopted the "trilateral policy" in its urgent needs for coal and Shangyukou came on line again. Because the reserve was not accurately assessed and the coal seam structure was very complex, the mining at Shangyukou did not progress well; nonetheless, the mine was put into make shift production. For a long time after it came on line, the production level and the coal quality have been low and the operation suffered big losses. The following serious problems exist in the coal mine at Shangyukou:

1. It has consistently failed to reach the production capacity originally designed

Because of poor geological surveys, both excavating sites are located in pitted areas and the damage is still spreading. Small coal pits have seriously damaged the integrity of the coal seam. A few years ago diggings were carried out mostly in the pitted and exhausted areas and often came up empty. Large amounts of excavated tunnels and little production only resulted in a lot of futile footage advance. Statistics show that the excavation rate per 10,000 tons of coal is as high as 390 meters (normally this should be something like 140 meters). After repeated surveys the coal reserve was changed from the original 31.0254 million tons to 6.3736 million tons and the workable amount of coal was readjusted from

24.0935 million tons to 4.7052 million tons. The general production capacity of the Shangyukou mine was also readjusted from the original 300,000 tons to 100,000 tons, or 1/3 of the originally designed capacity.

II. Production is hampered by the extremely complex coal seam structure

The coal strata at Shangyukou are thin and unstable and both coal surfaces contain two to three layers of partings. The thickness of the No 2 coal seam varies from 0.5 meters to 1.2 meters and the frequent occurrences of low swells, pressure ridges, and minor faults make it difficult to improve production. The workable coal is scattered and is small in area, the associated difficulties in re-entry excavation also affect the quality of coal. In 1979, the seven teams mining at site 1310 produced a total of 41,046 tons of coal with a stopping efficiency of 1.428 tons. The eight teams working under site 1308 mined a total of 37,836 tons with an efficiency of 1.637 tons. In both cases the efficiencies are less than half the norm.

III. The enterprise suffers serious losses due to the high cost and expenses

Because of the complex structure of the coal strata and the high proportion of partings, low swells and small faults are often encountered. Great amounts of work time are spent to deal with these problems and the high consumption of electricity, lumber, explosives and fuze greatly increases the cost of raw coal. Take the month of August 1980 as an example; 6,168 tons of coal were mined in that month at a total cost of 291,917.62 yuan. Each ton of coal cost 47.33 yuan, out of which 19.69 yuan are material costs, 13.67 yuan are labor costs, 7.1 yuan are electrical costs and 6.87 yuan are other costs. This is a cost overrun of 110 percent and is more than twice the average cost of 22.89 yuan at the Xiayukou mine from January to October 1980. Because of the high costs, the operation suffered serious losses. From March 1970, when Shangyukou opened for operation, to the end of 1979, a total of 19.194 million yuan was invested. In this 10-year period a total of 36,150 meters of tunnels were built and 927,000 tons of raw coal were mined. The consolidated loss is 11.3028 million yuan at an annual rate of 1.25 million yuan of loss. The average loss per ton is 12.19 yuan and the accumulated loss amounts to 58.9 percent of the total investment.

IV. The quality of the raw coal is poor

Because the mining technology is not up to par, when the upper substrate is being mined, the upper parting often cannot be supported and falls together with the coal. In mining the lower substrate, "swells" are often encountered and the miners are forced to use "brute force" over the rocks. Consequently, large amounts of crushed parting are mixed into the coal and the quality is lowered. The ash content of raw coal from this mine is generally in the neighborhood of 40 percent and sometimes can be as high as 78.55 percent. Even after sifting the ash content is still 39.47 percent. Since the coal quality is poor, it belongs to the unclassified low grade product and is generally sold at 13 yuan per ton (raw coal is normally sold at 21 yuan/ton). Its price had been as low as 9 yuan per ton.

FOREIGN TRADE

SINO-JAPANESE CONTRACTS DISCUSSED

HKD70412 Hong Kong WEN WEI PO in Chinese 7 Jun 81 pp 1, 2

[Report: "Speaking in Japan, Xue Muqiao says Sino-Japanese Contracts Will Be Basically Carried Out"]

[Text] Beijing, 6 Jun (Zhongguo Xinwenshe)--Commenting on the present state of China's economic readjustment and reforms during a recent visit to Japan, noted economist Xue Muqiao said: It is anticipated that toward the end of the 1980's China would be able to break away from the state of economic passiveness resulting from years of errors and embark on a healthy road of development.

Xue Muqiao stated this view in his lengthy speech addressed to the Japan-China meeting for the exchange of economic knowledge held in Hakone early in May. The full text of this speech is published in Issue No 15 of the Shanghai-based SHIJIE JINGJIE DAORAO.

Xue Muqiao said: This year we not only must keep budgetary investments but must also keep extra-budgetary investments, funds raised by the enterprises and bank loans under strict control. Because of this, we cannot but put off a number of large-scale construction projects involving the import of foreign equipment. We have been holding consultations with a number of foreign firms on this question, and modifications have been made in the pace of certain contracts. Two different views have so far been reflected on this question. Many far-sighted economists and noted figures in economic circles think that China is wise in rectifying the past mistake of going after quantity and the grandiose and in returning to the road of working within one's capabilities, and that there would be no end of trouble if it does not back down from the original plan. However, there are also some industrialists who feel puzzled as to why China would seek to modify some of the contracts already signed, and beg us to think it over more carefully. We admit that we have made the mistake of signing so many contracts without careful consideration, but it is after more than 1 year of repeated deliberations that we go ahead with talks concerning their modifications. If we put off making this decision for fear of affecting our international prestige, we might incur even greater losses.

Xue Muqiao said: "We have always upheld the principle of honoring contracts and keeping our word. We will not change this attitude even under straitened circumstances. After a period of mutual contacts, understanding and consultations between the Chinese and Japanese sides, all the contracts have basically

been carried out with some modifications in pace. There has been some irresponsible talk outside saying that we have unilaterally scrapped the contracts. This is completely at variance with facts."

Xue Muqiao also said that China has cut down investments in economic construction for 3 consecutive years since 1979 and has taken the initiative to slow down the rate of growth in heavy industry so as to ensure the rapid development of agriculture and light industry. As a result, China has begun to put an end to the practice of production for production's sake, a practice divorced from the people's everyday needs. In the past 2 years, the people's purchasing power has increased rapidly, the tension in market supplies has begun to ease and the people's living standards have markedly improved. This change has only just begun, and things will get better and better. What has taken place in the past 2 years proves that China's policy of economic readjustment is completely correct.

In his speech, Xue Muqiao also dwelt on the reform in China's economic management system which is currently underway. He pointed out: This is a new attempt with regard to how the socialist economy should be managed. It not only calls for wide-ranging theoretical discussions but requires us to accumulate experience in the course of practice.

He also commented on the views expressed by some foreign economists on this question. He said: Some people, seeing that China is now keeping investments in the localities and enterprises under strict control and exercising fairly strict control over the markets and prices, think that it has failed in its reform of the economic management system and is returning to the beaten track of centralized and unified leadership. This is a misunderstanding. Our policy in the reform of the economic management system will not change. In particular, our policy of giving the enterprises greater decisionmaking powers, of making use of market mechanism and of maintaining economic cooperation with other countries will not change.

He said: Another misunderstanding is the view that because China is now carrying out regulation by market mechanism, it is developing in the direction of capitalism. A sure guarantee that China will not return to the road of capitalism now or in the future is that the state is in control of most of the means of production. When the means of production are privately owned, the commodity economy is likely to develop in the direction of capitalism. Public ownership of the means of production insures the secure leadership of the socialist state-owned economy in the national economy. The state formulates all the economic development plans and defines the direction of economic development. Our commodity economy is a socialist commodity economy based on public ownership of the means of production. Our regulation by market mechanism is guided by the state plan. Our practices of giving the state-owned enterprises great decisionmaking powers, developing collective economy with the accent on sole responsibility for one's own profits and losses and allowing the presence of individual economy on a small scale as a supplement to the socialist economy will not change the socialist nature of our economy. In commodity circulation, our purpose in doing away with monopoly, increasing the channels of circulation and protecting competition is to enliven the markets and overcome bureaucratic work style in commerce. This will not shake the leading position of our socialist state-owned commerce in the markets.

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